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## ***CALIFORNIA STATE SENATE***

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## **Agenda**

**March 19, 2024**

**1:30 p.m. – 1021 O Street, Room 1200**

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### **BILL**

### **AUTHOR**

### **SUBJECT**

AB 136

Committee on Budget

Medi-Cal: Managed Care Organization Provider Tax

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# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Scott Wiener, Chair

2023 - 2024 Regular

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<b>Bill No:</b>	AB 136	<b>Hearing Date:</b>	March 19, 2024
<b>Author:</b>	Committee on Budget		
<b>Version:</b>	March 15, 2024 Amended		
<b>Urgency:</b>	Yes	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Scott Ogus		

**Subject:** Medi-Cal: Managed Care Organization Provider Tax

**Summary:** This bill would modify the tiered tax amounts for the tax imposed on managed care organizations authorized by AB 119 (Committee on Budget), Chapter 13, Statutes of 2023. The additional revenue received from the modified tax would support a portion of the non-federal share of expenditures in the Medi-Cal program, which is currently supported by the state's General Fund.

**Background:** Federal Medicaid regulations allow states to impose provider-related taxes on health care service providers as long as certain conditions are met. The revenue from these taxes may serve as the non-federal share of spending for health care services in a state's Medicaid program, which allows the state to draw down additional federal funding for those services. State Medicaid programs may receive federal financial participation (FFP) for expenditures using health care-related taxes, as long as the taxes are broad-based, uniformly imposed, and contain no hold-harmless provisions.

AB 119 (Committee on Budget), Chapter 13, Statutes of 2023, reauthorized a tax on enrollment of managed care organizations licensed by the Department of Managed Health Care or contracted with the state's Medi-Cal program. The tax is assessed per enrollee, and is tiered based on total enrollment in the plan during the base year, January 1, 2022 through December 31, 2022. There are two sets of taxing tiers for purposes of calculating each plan's tax liability: one for Medi-Cal plans and one for other health plans. The amount of the per enrollee tax in each of the taxing tiers is adjusted during each calendar year, according to the provisions of AB 119. The tax was authorized effective April 1, 2023 through December 31, 2026.

The 2023 Budget Act assumed the tax would result in a net benefit to the state of \$19.4 billion between 2023-24 and 2026-27. Of this amount, \$8.3 billion was allocated to support the non-federal share of expenditures in the Medi-Cal program to address the General Fund shortfall, and \$11.1 billion was allocated to support targeted provider rate increases in the Medi-Cal program.

**Proposed Law:** This bill would modify the tiered tax amounts for the tax imposed on managed care organizations authorized by AB 119. Specifically, the bill would:

- 1) For the 2024 calendar year, increase the per enrollee tax for tier II of the Medi-Cal taxing tier, for Medi-Cal plans with annual enrollees between 1,250,001 and 4,000,000 from \$182.50 to \$205.00.

- 2) For the 2025 calendar year, increase the per enrollee tax for tier II of the Medi-Cal taxing tier, for Medi-Cal plans with annual enrollees between 1,250,001 and 4,000,000 from \$187.50 to \$205.00.
- 3) For the 2026 calendar year, increase the per enrollee tax for tier II of the Medi-Cal taxing tier, for Medi-Cal plans with annual enrollees between 1,250,001 and 4,000,000 from \$192.50 to \$205.00.
- 4) Declares that this bill is an urgency statute, and shall go into immediate effect, to implement a new managed care organization provider tax at the earliest possible effective date allowable under federal law, and best position the state to maintain and improve access to care, maximize federal financial participation, and minimize the need for any new reductions to the Medi-Cal program.

**Fiscal Effect:** Modification of the per enrollee tax would result in increased net General Fund benefit to the state of \$395 million in 2023-24, \$698 million in 2024-25, \$467 million in 2025-26, and \$102 million in 2026-27. The total increase in the net General Fund benefit to the state over the operative period of the tax would be approximately \$1.5 billion.

**Support:** None on file.

**Opposed:** None on file.

**-- END --**